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Docket No. E-20633A-08-0513

CarbonFree RECEIVED

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Arizona Corporation Commission
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Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

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Re: Solar Service Agreements – Docket No. E-20633A-08-0513

Dear Commissioners:

I am writing on behalf of CarbonFree Technology Corp, a solar project developer with offices in Scottsdale, Arizona.

We are submitting this letter in support of the Solar Alliance's application for a declaratory order that providers of Solar Service Agreements should not be considered Public Service Corporations (Docket No. E-20633A-08-0513). To benefit from the unparalleled solar resources available to us in Arizona and to unlock the potential of distributed generation of solar electricity, we believe it is imperative that the Commission rule in favor of the Solar Alliance in this matter.

CarbonFree Technology served as developer of the first commercial solar projects in Arizona that were funded under the Solar Services Agreement model. These were three solar PV installations totaling approximately 1.7 megawatts at ASU (presently the largest non-utility owned solar portfolio in the state).

In 2008 CarbonFree arranged funding for 13 solar projects totaling more than 6 megawatts with a value in excess of \$43 million. These projects were built in Arizona, California and New Jersey. All of these projects were enabled using the Solar Services Agreement model. This is consistent with a clearly established national trend, in which SSAs have been used as the funding mechanism in over 70% of all commercial solar PV being installed in the U.S. today. SSAs represent a market-driven response to gain access to various types of solar incentives at the federal, state and sometimes even municipal level that are currently required to deliver feasible project economics. The SSA model permits companies who are interested in adopting solar to do so without having to invest the upfront capital required to build a system. Even for companies with available capital to acquire their own solar systems, the complexity of the deal structures and the need to combine various incentive and tax considerations create a barrier to the adoption of solar. Providers of SSA agreements provide the capital and expertise required to take advantage of the solar incentives that were put in place as government policy to encourage the adoption of solar power systems.

Briefly, we would like to summarize some key reasons that Solar Service Agreements should not be considered Public Service Corporations:

- At first glance, it may seem that an SSA provider is performing certain functions similar to that of a utility. However, this is not the case as an SSA is fundamentally a financing mechanism that evolved in response to conditions and incentives that are unique to the U.S. market. Additionally, under a typical SSA structure, the utility continues to serve a significant portion of a customer's electricity demand and be an integral part of the customer-relationship.
- As already noted by the ACC, SSAs typically have a buy-out option for the customer.
- There is only a single off-taker (customer) under each SSA.
- SSAs are often the only viable solution for non-tax paying entities (like ASU, municipalities, churches, school districts, etc), as these entities are not able to take advantage of many of the tax incentives that make these deals feasible from a financial perspective.
- SSAs will make a significant contribution towards helping Arizona meet its distributed generation requirements as outlined in the REST.
- SSAs share some characteristics with leases and performance contracts but are NOT either of these from a legal and tax standpoint.
- Because of the distributed nature of projects funded via SSAs, they are fundamentally different from those of large-scale power producers who tend to develop utility-scale centralized projects.
- It is also important to note that SSA projects are not intended to replace 100% of grid power. The nature of this technology (grid-connected PV) requires the presence of the grid in order to operate.

The growth of solar, both internationally and in the United States, has tracked to jurisdictions that have created the regulatory environment and incentives required to make solar projects economic. Solar developers and solar project investors will view Arizona as a less desirable place to invest in solar projects if additional requirements are placed on solar, relative to other markets. We believe that SSAs are precisely the kind of public-private partnership that Arizona (and this country) needs to boost investor confidence, create jobs and get the economy back on track.

Solar Service Agreements (SSAs) provide crucial impetus to the growth of the solar industry, helping to facilitate the implementation of the Commission's Renewable Energy

Standard. In today's credit market, they offer a viable means to bypass the high up-front capital costs of solar.

The prospect that SSA providers would be regulated as public utilities would place Arizona at a competitive disadvantage and it would discourage SSA providers from operating in this state. As a provider of SSAs, CarbonFree Technology strongly encourages you to support the application of the Solar Alliance.

Respectfully,

CarbonFree Technology Corp.



Lee Feliciano
Executive Vice President